

SECTION 1.14

**SUMMARY BY OWNER****Amended State Income Tax Returns<sup>1</sup>**

Years ended December 31, 1996, 1997 and 1998

**Woodward Marketing, L.L.C.**

Atmos

WMI

JDW

JMK

**Woodward Marketing, Inc.**

JDW

JMK

**Individual owner returns**Atmos (unknown)<sup>2</sup>

JDW

JMK (unknown)<sup>2</sup>**Recap by owner**

Atmos

JDW

JMK

**Refund Applied For**

<u>Tax Paid</u>	<u>Penalty &amp;</u>	
	<u>Interest</u>	<u>Total</u>
\$ 2,336	\$ 53	\$ 2,389
1,684	38	1,722
1,170	26	1,196
5,190	117	5,307
2,162	106	2,268
1,502	74	1,576
3,664	180	3,844
-	-	-
7,348	169	7,517
-	-	-
7,348	169	7,517
2,336	53	2,389
11,194	313	11,507
2,672	100	2,772
\$ 16,202	\$ 466	\$ 16,668

<sup>1</sup> Amended returns were filed in California, Illinois and Oklahoma for 1996, 1997 and 1998 because it was determined that pass-through entities WMLLC and WMI did not have nexus in those states.

<sup>2</sup> Amended K-1's provided to taxpayer. Unknown whether taxpayer filed amended individual tax returns.

**WOODWARD MARKETING, L.L.C.****Amended State Income Tax Returns**

Years ended December 31, 1996, 1997 and 1998

**1996**

CA

IL

OK

**1997**

CA

IL

OK

**1998**

CA

IL

OK

**Recap**

CA

IL

OK

**Owner's share**

Atmos (45%)

WMI (55%)

JDW

JMK

**Refund Applied For**

		<b><u>Penalty &amp;</u></b>	
		<b><u>Tax Paid</u></b>	<b><u>Interest</u></b>
		<b><u>Total</u></b>	
\$	2,993	\$	-
	505		-
	-		-
	3,498		-
			3,498
	-		-
	722		117
	-		-
	722		117
			839
	-		-
	970		-
	-		-
	970		-
			970
	2,993		-
	2,197		117
	-		-
\$	5,190	\$	117
		\$	5,307
\$	2,336	\$	53
		\$	2,389
	1,684		38
			1,722
	1,170		26
			1,196
	2,854		64
			2,918
\$	5,190	\$	117
		\$	5,307

**WOODWARD MARKETING, INC.****Amended State Income Tax Returns**

Years ended December 31, 1996, 1997 and 1998

**1996**

CA

IL

OK

**1997**

CA

IL

OK

**1998**

CA

IL

OK

**Recap**

CA

IL

OK

**Owner's share**

JDW (59%)

JMK (41%)

**Refund Applied For**

<u>Tax Paid</u>	<u>Penalty &amp; Interest</u>	<u>Total</u>
\$ 800	\$ 66	\$ 866
278	-	278
-	-	-
1,078	66	1,144
800	66	866
465	-	465
-	-	-
1,265	66	1,331
800	48	848
521	-	521
-	-	-
1,321	48	1,369
2,400	180	2,580
1,264	-	1,264
-	-	-
\$ 3,664	\$ 180	\$ 3,844
\$ 2,162	\$ 106	\$ 2,268
1,502	74	1,576
\$ 3,664	\$ 180	\$ 3,844

**J. D. WOODWARD, III****Amended State Income Tax Returns**

Years ended December 31, 1996, 1997 and 1998

**1996**

CA

IL

OK

**1997**

CA

IL

OK

**1998**

CA

IL

OK

**Recap**

CA

IL

OK

**Refund Applied For**

<u>Tax Paid</u>	<u>Penalty &amp; Interest</u>	<u>Total</u>
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\$ 886	\$ 42	\$ 928
327	44	371
1,307	-	1,307
2,520	86	2,606

1,140	-	1,140
548	-	548
2,054	-	2,054
3,742	-	3,742

472	-	472
614	83	697
-	-	-
1,086	83	1,169

2,498	42	2,540
1,489	127	1,616
3,361	-	3,361
\$ 7,348	\$ 169	\$ 7,517

SECTION 1.21

This information is proprietary and is therefore privileged and confidential.

SECTION 5.2

## GAS GATHERING SYSTEMS AND E&P ACTIVITIES

J.D. WOODWARD, III

### Woodward Pipeline, Inc. Gas Gathering Systems

- **Prague Low Pressure Gas Gathering System** - Approximately 24 miles of natural gas pipeline located in Lincoln, Pottawatomie and Seminole Counties, Oklahoma. System is leased to New Dominion, L.L.C.
- **Grant County Gas Gathering System** - Approximately 14 miles of natural gas pipeline located in Grant County, Oklahoma. System is inactive.
- **East Harrison Gas Gathering System** - Approximately 6.5 miles of natural gas pipeline located in Harrison County, Texas. System is owned by Woodward Partners, Ltd. ("WPL") and operated by Woodward Pipeline, Inc. ("WPI").
- **Huntsville Meter** - Natural gas pipeline metering system located in San Jacinto County, Texas. System is owned by WPL and operated by WPI.
- **Trinity County Gas Gathering System** - Approximately 19.5 miles of natural gas pipeline located in Trinity County, Texas. System is inactive.
- **Liberty County Gas Gathering System** - Approximately 1.2 miles of natural gas pipeline located in Liberty County, Texas. System is inactive.
- **Hardin County Gas Gathering System** - Approximately 3.3 miles of natural gas pipeline located in Hardin County, Texas. System is inactive.
- **Apple Springs Gas Gathering System** - Approximately 23.3 miles of natural gas pipeline located in Trinity and Angelina Counties, Texas. System is owned by Woodward Apple Springs, Inc. and operated by WPI.

### Various Explorations and Production Activities

- Properties described under James Kifer below, except Chicksaw.
- Miscellaneous properties in Oklahoma.



*James Kifer*

- Current and future drilling and production of Moon-Hines-Tigrett in the Warrior River Basin area of Alabama and Mississippi.
- Gibraltar Energy current and future production in the Warrior River Basin area of Alabama and Mississippi.
- Chicksaw Oil and Gas - Gas production and gathering, Chicksaw County, Mississippi.

**ATMOS DISCLOSURE SCHEDULE**

None

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**CONFIDENTIAL****SUMMARY OF PROPOSED HIRING PACKAGE****J.D. WOODWARD  
SENIOR VICE PRESIDENT - NONUTILITY OPERATIONS**

- Base salary: \$250,000
- Pay grade: 10
- Pay range: \$136,800 min - \$205,200 midpoint - \$273,600 max.

***EXECUTIVE COMPENSATION & BENEFITS***

- **Annual Management Incentive Plan participation:** *Target award opportunity of 45% of base salary (22.5% at threshold; 90.0% at maximum); range of awards will be 0% to 200% of target depending upon performance achievements against annual performance goals. Form of payment will be cash and/or company shares, with stock conversion options in 25% increments as follows:*
  - Restricted shares will reflect a 50% premium;
  - Awards converted to stock options will be equal to 2 ½ times the award value, divided by the Black-Scholes value;
  - Unrestricted shares ("bonus stock") will reflect a 10% premium.
- **Participation in the 1998 Long-Term Incentive Plan ("LTIP"):** *"Omnibus" long-term incentive plan provides for various types of long-term incentive awards, including but not limited to non-qualified stock options, stock appreciation rights, restricted stock, etc. The LTIP will assist the executive in achieving his share ownership guideline, which is 2.5 times base salary for this grade 10 officer position.*

*Annual stock option grant recommendations are made to the Human Resources Committee of the Board of Directors each March.*

- **Performance-Based Supplemental Executive Benefits Plan ("PB-SEBP") participation:** *Opportunity to earn up to 100% of base salary + bonus for retirement by participating in the Performance-Based SEBP. Minimum targeted benefit = 50% of base salary + bonus. Ten-year vesting period for supplemental benefit. Eligible for PB-SEBP's supplemental death and disability benefits upon employment.*

- Includes a Change In Control feature which provides that, upon change in control, the PB-SEBP benefit would fully vest at a benefit equal to 75% of compensation if either (a) or (b) occurs:
  - (a) The participant's employment is terminated involuntarily by the employer for any reason other than for cause; or,
  - (b) The participant's participation in the plan is terminated by the employer for any reason other than for cause prior to his termination of employment with the employer.
- In order for the Change In Control provision to apply, (a) or (b) as described above must occur within 3 years following the change in control.
- **Change In Control Severance Benefit:** Executive will be provided a CIC severance agreement with a double trigger, including the payment of Total Compensation multiplied by 2.5. Total Compensation shall mean the annual base salary being paid to the executive at the date of termination plus the executive's average bonus. Average bonus shall mean the greater of (1) the bonus or incentive award pursuant to any annual performance bonus or incentive compensation plan of the Company last paid to or earned by executive immediately prior to his date of termination, or (2) the average of the highest three bonuses (whether or not consecutive) paid to or earned by executive; accelerated vesting of any outstanding stock options and restricted stock (single trigger feature); and, continuation of all medical, dental, vision, accident, other health benefits, life insurance and disability benefits equal to or economically equivalent to the benefits in effect for executive at the time of the change in control and at the same cost to executive as the cost, if any, charged to executive for those benefits prior to termination of employment for 36 months following the executive's date of termination. This agreement will include a provision for a gross-up payment to the executive, as applicable, to offset any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended; or, any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax") as a result of the benefit.
- Eligible to participate in the **Non-Qualified Deferred Compensation Plan**.
- Eligible to participate in the **Executive Financial Planning Program**.
- Eligible to participate in **Executive Retiree Life Insurance Program** upon retirement.
- Eligible to participate in all Atmos Group Employee Benefit Plans.

**CONFIDENTIAL**

**SUMMARY OF PROPOSED COMPENSATION PACKAGE**

**JAMES KIFER  
EXECUTIVE VICE PRESIDENT  
WOODWARD MARKETING LLC**

- Base salary: \$175,000
- Annual bonus target: 40% of base salary
- All other compensation and benefits to continue as in effect with Woodward Marketing, L.L.C.

## REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement, dated as of \_\_\_\_\_, (this "*Agreement*"), is entered into by and among Atmos Energy Corporation, a Texas and Virginia corporation ("*Issuer*"), Woodward Marketing, Inc., a Texas corporation ("*WMI*"), J.D. Woodward, III, an individual ("*Woodward*"), and James Kifer, an individual ("*Kifer*," and together with WMI and Woodward, the "*Holder*s").

### RECITALS

A. WHEREAS, Issuer and the Holders are parties to the Asset Purchase Agreement, dated as of August 7, 2000 (the "*Purchase Agreement*"), pursuant to which WMI, which is owned by the other Holders, will sell substantially all of its assets to Atmos Energy Marketing, LLC, a Delaware limited liability company and wholly-owned subsidiary of Issuer ("*Energy*").

B. WHEREAS, subject to the terms and conditions of the Purchase Agreement, on the Closing Date (as defined therein), the Holders shall receive or become entitled to receive shares of common stock, no par value, of Issuer (the "*Common Stock*") at the times provided in the Purchase Agreement.

C. WHEREAS, as a condition precedent to the consummation of the transactions contemplated by the Purchase Agreement, Issuer has agreed to grant the Holders certain registration rights, as set forth herein, with respect to the Registrable Securities.

### AGREEMENT

NOW, THEREFORE, in consideration of the premises, and the mutual representations, warranties, covenants, and agreements hereinafter set forth, the parties hereto agree as follows:

#### 1. Definitions.

(a) All capitalized terms used but not defined herein shall have the meaning ascribed to such term in the Merger Agreement.

(b) "*Registrable Securities*" means (i) all of the Common Stock issued to a Holder as consideration pursuant to the Purchase Agreement, whether as Base Shares, Included Shares, Cumulative Shares, True-up Consideration or Missed Dividends (as those terms are defined in the Purchase Agreement), plus (ii) all other securities of Issuer issued in respect of such Common Stock, by way of a stock split, stock dividend, recapitalization, merger or consolidation, or otherwise, but exclusive of (iii) any securities described in clause (i) or (ii) above sold in a public offering registered under the Securities Act of 1933, as amended (the "*Act*") or which may be sold by such Holder pursuant to Rule 144(k) promulgated under the Act.

(c) "*Registration Expenses*" means all expenses incident to Issuer's performance of or compliance with this Agreement, including all registration, filing, listing and NASD fees, all fees and expenses of complying with securities or blue sky laws, all word processing, duplicating and printing expenses, messenger and delivery expenses, the fees and

expenses of counsel for Issuer and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance and any fees and disbursements of underwriters customarily paid by issuers of securities, but excluding underwriting discounts and commissions, transfer taxes, if any, and the fees and expenses of any counsel retained by the Holders.

2. "Piggy-Back" Registration Rights.

(a) Right to Include Registrable Securities. Subject to the provisions of this Section 2, if, at any time (i) after the Closing Date and (ii) prior to (A) (1) as to the Base Shares, Included Shares and the Cumulative Shares, the expiration of two years after the Closing Date and (2) as to the Registrable Shares constituting True-Up Consideration or Missed Dividends, the expiration of two years after the date of issuance thereof, or (B) as to any Registrable Securities, such earlier date as the Holder thereof becomes eligible to sell such Registrable Securities pursuant to Rule 144(k) promulgated under the Act, Issuer proposes to register any of its equity securities under the Act (other than by a registration on Form S-4 or Form S-8 or any successor or similar forms), whether or not for sale for its own account (a "Proposed Registration"), then Issuer will each such time give prompt written notice (which shall be at least thirty (30) days prior to filing) to all Holders of Registrable Securities of its intention to do so, of such Holders' rights under this Section 2(a). Upon the written request of any such Holder made within twenty (20) days after the receipt of any such notice (which request shall specify the Registrable Securities intended to be disposed of by such Holder and the intended method of disposition thereof), Issuer will use reasonable efforts to expeditiously effect the registration under the Act of all Registrable Securities that are then held by such Holders and that Issuer has been so requested to register by such Holders, by inclusion of such Registrable Securities in the registration statement which covers the securities in the Proposed Registration or, unless a managing underwriter advises Issuer in writing that, in its opinion, it would adversely affect the offering contemplated for the Proposed Registration, in a separate registration statement on Form S-3 concurrently filed; *provided, however*, that if, at any time after giving written notice of a Proposed Registration and prior to the effective date of the registration statement filed in connection with such Proposed Registration, Issuer shall determine for any reason not to register its securities or to delay the Proposed Registration, Issuer may, at its election, give written notice of such determination to each Holder of Registrable Securities and, thereupon:

(i) in the case of a determination not to register its securities, shall be relieved of its obligation to register any Registrable Securities in connection with such Proposed Registration (but not from its obligation to pay the Registration Expenses in connection therewith), and

(ii) in the case of a delay in registering, shall be permitted to delay registering any Registrable Securities for the same period as the delay in the Proposed Registration.

Notwithstanding anything in this Section 2(a) to the contrary, Issuer shall be under no obligation to provide written notice to any Holder with respect to, and the Holders will have no rights to register the Registrable Securities under this Section 2(a) as a result of, any registration statement filed prior to the Effective Time (including any supplement or amendment filed with

respect thereto), whether or not such registration statement has been declared effective by the SEC as of the Effective Time.

(b) Priority. If a Proposed Registration involves an underwritten offering and the managing underwriter advises Issuer in writing that, in its opinion, the number of Registrable Securities requested by the Holders to be registered pursuant to this Section 2 exceeds the number which can be sold without adversely affecting the Proposed Registration or any other contemporaneous offering, then the number of Registrable Securities to be registered shall be limited by withdrawing from registration the shares of, first, the Holders and any other Persons then holding piggy-back registration rights (the "Other Piggy-Back Holders") pro rata, then, any Person then holding demand registration rights (the "Demand Holders").

3. Registration Procedures. If and whenever Issuer is required to use reasonable efforts to effect the registration of any Registrable Securities under the Act as provided in Section 2, Issuer will, subject to the terms and conditions of this Agreement:

(a) prepare and file with the SEC a registration statement to effect such registration and use reasonable efforts to cause such registration statement to become effective; *provided, however*, that as provided in Section 2 hereof, if issuer discontinues a Proposed Registration at any time prior to the effective date of the registration statement relating thereto, it may also discontinue any registration of the Registrable Securities;

(b) prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective and to comply with the provisions of the Act with respect to the disposition of all securities covered by such registration statement until the earlier of such time as all of such Registrable Securities have been disposed of in accordance with the intended methods of disposition by the Holder or Holders thereof set forth in such registration statement or the expiration of ninety (90) days after such registration statement becomes effective; *provided, however*, that if less than all the securities covered by the registration statement that covers the Registrable Securities are withdrawn from registration after the expiration of such period, the shares so withdrawn shall be the shares of, first, any Other Piggy-Back Holders and the Holders pro rata, then, any Demand Holders;

(c) furnish to each Holder of Registrable Securities covered by such registration statement such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Act, in conformity with the requirements of the Act, and such other documents as such Holder may reasonably request;

(d) use reasonable efforts to register or qualify, prior to the effective date of such registration, all Registrable Securities and other securities covered by such registration statement under such securities or blue sky laws of such jurisdictions as each Holder thereof shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably



necessary or advisable to enable such Holder to consummate the disposition in such jurisdictions of the securities owned by such Holder, except that Issuer shall not for any such purpose be required to:

(i) qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this Section 3(d) be obligated to be so qualified,

(ii) subject itself to taxation in any such jurisdiction, or

(iii) consent to general service of process in any such jurisdiction;

(e) use reasonable efforts to cause, prior to the effective date of such registration statement, all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the Holder or Holders thereof to consummate the disposition of such Registrable Securities;

(f) furnish, at the request of any Holder requesting registration of Registrable Securities pursuant to Section 2, on the date that such Registrable Securities are delivered to the underwriters for sale in connection with registration pursuant to this Section, if such securities are being sold through underwriters, or on the date that the registration statement with respect to such securities becomes effective, if such securities are not being sold through underwriters, (i) a copy of any opinion of counsel to Issuer addressed to the underwriters or Issuer and (ii) a copy of any letters from the independent accountants of Issuer, addressed to the underwriters or Issuer;

(g)

(i) immediately notify each Holder of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Act, of the happening of any event or the existence of any condition as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, or, if in the opinion of counsel for Issuer, it is necessary to supplement or amend such prospectus to comply with law and, after such notice,

(ii) at the request of any such Holder, promptly prepare and furnish to such Holder and its counsel a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made or such prospectus, as supplemented or amended, shall comply with law;

(i) use reasonable efforts to list or admit all Registrable Securities covered by such registration statement on any securities exchange on which any of the Registrable Securities

are then listed on any other trading market on which any of the Registrable Securities are then admitted for trading; and

- (j) pay all Registration Expenses relating to any such registration.

Issuer may require each Holder of Registrable Securities as to which any registration is being effected to furnish Issuer with such information and undertakings as it may reasonably request regarding such Holder and the distribution of such securities as Issuer may from time to time reasonably request in writing.

Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities as follows:

- (a) that upon receipt of any notice from Issuer of the happening of any event of the kind described in Section 3(g), such Holder will forthwith discontinue such Holder's disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until such Holder's receipt of the copies of the supplemented or amended prospectus contemplated by Section 3(g) and, if so directed by Issuer, will deliver to Issuer all copies, other than permanent file copies, then in such Holder's possession of the prospectus relating to such Registrable Securities current at the time of receipt of such notice, and

- (b) that it will immediately notify Issuer, at any time when a prospectus relating to the registration of such Registrable Securities is required to be delivered under the Act, of the happening of any event as a result of which information previously furnished by such Holder to Issuer in writing for inclusion in such prospectus contains an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made.

In the event Issuer or any such Holder shall give any such notice, the period referred to in Section 3(b) shall be extended by a number of days equal to the number of days during the period from and including the giving of notice pursuant to Section 3(g) to and including the date when each Holder of any Registrable Securities covered by such registration statement shall have received the copies of the supplemented or amended prospectus contemplated by Section 3(g).

#### 4. Underwritten Offerings.

- (a) Underwriting Agreement. If any Registrable Securities required to be registered pursuant to Section 2 are to be distributed by or through one or more underwriters, the Holders of Registrable Securities to be distributed shall become parties to the underwriting agreement between Issuer and such underwriters. Issuer will use reasonable efforts to ensure that no underwriter shall require any Holder of Registrable Securities to make any representations or warranties to or agreements with Issuer or the underwriters other than representations, warranties or agreements regarding such Holder and such Holder's intended method of distribution and any other representation required by law, and, despite Issuer's reasonable efforts, if an underwriter requires any Holder of Registrable Securities to make additional representation or warranties to or agreements with such underwriter, such Holder may

elect not to participate in such underwritten offering (but shall not have any claims against Issuer as a result of such election).

(b) Selection of Underwriters. The selection of the underwriter or underwriters for the public offering to be made pursuant to a registration statement filed under Section 2 above shall be made by Issuer, in its sole discretion.

(c) Holdback Agreements. Each Holder of Registrable Securities agrees by acquisition of such Registrable Securities, if so required by a managing underwriter of any Proposed Offering or any other offering of the Registrable Securities pursuant to Section 2, not to effect any public sale or distribution of such securities or sales of such securities pursuant to Rule 144 under the Act or otherwise, during the seven (7) days prior to and the ninety (90) days after any firm commitment underwritten registration has become effective or, if the managing underwriter advises Issuer in writing that, in its opinion, no such public sale or distribution should be effected for a specific period longer than ninety (90) days after such underwritten registration in order to complete the sale and distribution of securities included in such registration and Issuer gives notice to such Holder of Registrable Securities of such advice, during a reasonable longer period of up to one hundred eighty (180) days after such underwritten registration, except as part of such underwritten registration, whether or not such Holder participates in such registration.

5. Certain Rights of Holders. Issuer will not file any registration statement under the Act which refers to any Holder of Registrable Securities by name or otherwise without the prior written approval of such Holder, which may not be unreasonably withheld or delayed.

6. Indemnification.

(a) Indemnification by Issuer. In the event of any registration of any securities of Issuer under the Act, Issuer will, and hereby does, to the full extent permitted by law indemnify and hold harmless the participating Holder of any Registrable Securities covered by any registration statement filed pursuant to Section 2, from and against any losses, claims, damages or liabilities, joint or several (or actions or proceedings, whether commenced or threatened, in respect thereof, whether or not such Holder is a party thereto, and including reasonable costs of investigation and legal expenses) (collectively, "*Claims*"), to which such Holder may become subject under the Act or otherwise, insofar as such Claims arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto (if used during the period Issuer is required to keep the registration statement current) or any documents incorporated therein (collectively, "*Registration Documents*"), or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading (in the case of a prospectus or preliminary prospectus, in light of the circumstances in which they were made), or any violation by Issuer of the Act or any state securities law, or any rule or regulation promulgated under the Act or any state securities law, or any other law applicable to Issuer relating to any such registration or qualification, and Issuer will reimburse such Holder for any legal or any other expenses reasonably incurred by them in connection with investigating or

defending any such Claim; *provided, however*, that Issuer shall not be liable in any such case to the extent that any such Claim or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any such Registration Document in reliance upon and in conformity with written information furnished to Issuer through an instrument duly executed by such Holder stating that it is for use in the preparation thereof; *provided further*, that Issuer shall not be liable to any Holder to the extent that any Claim or expense arises out of the failure by such Holder to send or give a copy of the final prospectus to the Person claiming an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such Person if such statement or omission was corrected in such final prospectus. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Holder and shall survive the transfer of such securities by such Holder.

(b) Indemnification by the Holders. Issuer may require, as a condition to including any Registrable Securities in any registration statement filed pursuant to Section 2, that Issuer shall have received an undertaking satisfactory to it from the prospective Holder of such securities, to indemnify and hold harmless (in the same manner and to the same extent as set forth in this Section 6(b)) Issuer, each director of Issuer, each officer of Issuer and each other person, if any, who controls Issuer within the meaning of either Section 15 of the Act or Section 20 of the Exchange Act and each underwriter participating in any distribution being made pursuant to such registration statement, with respect to any statement or alleged statement or omission or alleged omission from such Registration Document, if such statement or alleged statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to Issuer through an instrument duly executed by such Holder specifically stating that it is for use in the preparation of such Registration Document. Notwithstanding the foregoing, in no event shall any Holder be liable to indemnify Issuer pursuant to this Section 6(b) in an amount in excess of the amount of the net proceeds of the Registrable Securities sold by him or her in any such offering. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Issuer of any such director, officer or controlling person and shall survive the transfer of such securities by such Holder.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a Claim referred to in the preceding subdivisions of this Section 6, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; *provided, however*, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding subdivisions of this Section 6, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal or other expenses subsequently

incurred by the latter in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall consent to entry of any judgment or enter into any settlement of any pending or threatened proceeding in respect of which an indemnified party is or could have been a party and indemnity could have been sought under Section 6(a) without the consent of the indemnified party which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

(d) Other Indemnification. Indemnification similar to that specified in the preceding subdivisions of this Section 6 (with appropriate modifications) shall be given by Issuer and each Holder of Registrable Securities with respect to any required registration or other qualification of securities under any Federal or state law or regulation of any governmental authority, other than the Act. If the indemnification provided for in Sections 6(a), (b) or (c) is unavailable to an indemnified party or insufficient in respect of any Claims referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such Claims (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the securities or (ii) if the allocation provided by clause (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) above but also the relative fault of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such Claims, as well as any other relevant equitable considerations; *provided, however*, that in no event shall any Person be liable for contribution to the extent that any such Claim arises out of or is based upon an untrue statement or omission made by such Person seeking contribution.

7. Notices. All notices, requests, demands, claims and other communications hereunder shall be in writing. Any notice, request, demand, claim, or other communication hereunder shall be deemed duly given (i) if personally delivered, when so delivered, (ii) if mailed, two Business Days after having been sent by registered or certified mail, return receipt requested, postage prepaid and addressed to the intended recipient as set forth below, (iii) if given by telex or telecopier, once such notice or other communication is transmitted to the telex or telecopier number specified below and the appropriate answer back or telephonic confirmation is received, provided that such notice or other communication is promptly thereafter mailed in accordance with the provisions of clause (ii) above, or (iv) if sent through an overnight delivery service in circumstances in which such service guarantees next day delivery, the day following being so sent:

If to Atmos:

Atmos Energy Corporation  
1800 Three Lincoln Centre  
5430 LBJ Freeway  
Dallas, Texas 75240  
Attention: Mr. John P. Reddy  
Facsimile: (972) 855-3793

With a copy to:

Gibson, Dunn & Crutcher LLP  
2100 McKinney Avenue, Suite 100  
Dallas, Texas 75201  
Attention: Mr. Irwin Sentilles III  
Facsimile: (214) 698-3100

If to Holders:

Woodward Marketing, Inc.  
11251 Northwest Freeway, Suite 400  
Houston, Texas 77092  
Attention: Mr. J.D. Woodward and James Kifer  
Facsimile: (713) 688-5124

With a copy to:

Douglas K. Eyberg, Esq.  
LeBoeuf, Lamb, Greene & MacRae, L.L.P.  
1000 Louisiana, Suite 1400  
Houston, Texas 77002  
Facsimile: (713) 287-2100

Any party may give any notice, request, demand, claim or other communication hereunder using any other means (including ordinary mail or electronic mail), but no such notice, request, demand, claim or other communication shall be deemed to have been duly given unless and until it actually is received by the individual for whom it is intended. Any party may change the address to which notices, requests, demands, claims and other communications hereunder are to be delivered by giving the other parties notice in the manner herein set forth.

8. Amendments; No Waivers.

(a) Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed, in the case of an amendment, by all parties hereto, or in the case of a waiver, by the party against whom the waiver is to be effective.

(b) No waiver by a party of any default, misrepresentation or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any

prior or subsequent default, misrepresentation or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent occurrence. No failure or delay by a party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

9. Expenses. Each party hereto shall bear its own accounting and legal fees and other costs and expenses with respect to the negotiation and preparation of this Agreement and the consummation of the transactions contemplated hereby, except as otherwise provided herein.

10. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. No party hereto may assign either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of each other party, except that a Holder may assign his rights hereunder in connection with a gift, contribution or similar transfer to any trust or partnership as to which all beneficial and equity interests are held by such Holder or members of such Holder's immediate family.

11. Governing Law. This Agreement shall be construed in accordance with and governed by the internal laws (without reference to choice or conflict of laws) of the State of Texas.

12. Counterparts. This Agreement may be signed in any number of counterparts and the signatures delivered by telecopy, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

13. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement. Neither this Agreement nor any provision hereof is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

14. Captions. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. All references to an Article or Section include all subparts thereof.

15. Severability. If any provision of this Agreement, or the application thereof to any Person, place or circumstance, shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Agreement and such provisions as applied to other Persons, places and circumstances shall remain in full force and effect only if, after excluding the portion deemed to be unenforceable, the remaining terms shall provide for the consummation of the transactions contemplated hereby in substantially the same manner as originally set forth at the later of the date this Agreement was executed or last amended.

16. Third Party Beneficiaries. No provision of this Agreement shall create any third party beneficiary rights in any Person.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

**ISSUER:**

**ATMOS ENERGY CORPORATION,**  
a Texas and Virginia corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**HOLDERS:**

**WOODWARD MARKETING, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
J.D. Woodward, III

\_\_\_\_\_  
James Kifer

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**LEASE ABSTRACTS**  
**(Basic Terms)**

**A. Real Property Lease**

1. Parties:  
Lessor: Woodward Development, Inc., a Texas corporation  
Lessee: Woodward Marketing, LLC, a Delaware limited liability company
2. Leased Premises: 9424 net rsf (9176 sf on 4<sup>th</sup> floor and 248 sf on 2<sup>nd</sup> floor – vault) in building at 11251 Northwest Freeway, Houston, TX 77092
3. Building Rentable Area: 28,584 net rsf
4. Term: 60 months commencing 1/1/2001 and ending 12/31/2005
5. Base Rent:  
Year 1 - \$12,565/mo (\$16.00/ft)  
Year 2 - \$12,958/mo (\$16.50/ft)  
Year 3 - \$13,351/mo (\$17.00/ft)  
Year 4 - \$13,743/mo (\$17.50/ft)  
Year 5 - \$14,136/mo (\$18.00/ft)
6. Operating Costs: 33% of Excess Operating Costs over Base Year (1999)
7. Late Charge: 5%
8. Renewal Term(s): None
9. Security Deposit: None
10. Expansion Options: None
11. Tenant Improvement Allowance: None
12. Parking: Non-exclusive

**B. Personal Property Lease**

1. Parties:  
Lessor: Woodward Pipeline, Inc.  
Lessee: Woodward Marketing, LLC
2. Leased Property: Office furniture, equipment and artwork
3. Term: 60 months commencing 1/1/2001 and ending 12/31/2005
4. Rent: \$1,500/mo
5. Renewal Term(s): None

Matters to be Covered by Opinion of WMI's and Woodward's and Kifer's Counsel

(i) WMI is a corporation validly existing and in good standing under the laws of the State of Texas.

(ii) WMI has all requisite corporate power and authority and Woodward and Kifer have all requisite legal right, power and authority to execute and deliver the Agreement and the Ancillary Agreements to which it or he is a signatory, and to perform its or his obligations thereunder and to consummate the transactions contemplated thereby.

(iii) The execution and delivery of the Agreement and the Ancillary Agreements to which WMI is a signatory have been duly and validly authorized by WMI's board of directors and stockholders, and no other corporate proceedings on the part of WMI are necessary to authorize the Agreement or the Ancillary Agreements to which WMI is a signatory or to consummate the transactions contemplated thereby.

(iv) The Agreement has been, and the Ancillary Agreements to which WMI, Woodward or Kifer are signatories will be, duly and validly executed and delivered by WMI, Woodward and Kifer and, assuming that the Agreement constitutes, and the Ancillary Agreements to which they are signatories will constitute when signed, the legal, valid and binding obligations of the other parties thereto, each such agreement constitutes or will constitute the legal, valid and binding obligation of WMI, Woodward and Kifer, as the case may be, enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws (including court decisions) and doctrines affecting the rights of creditors generally and general equitable principles.

(v) The execution, delivery and performance of the Agreement and the Ancillary Agreements to which they are signatories by WMI, Woodward and Kifer and the consummation by WMI, Woodward and Kifer of the transactions contemplated thereby do not and will not conflict with or constitute a breach or violation of or a default under, nor will such action result in any breach or violation of, or default under the provisions of the Articles of Incorporation or Bylaws of WMI.

(vi) No authorization, approval or consent of, or registration or filing with, any Governmental Body is required for the execution, delivery or performance by WMI, Woodward or Kifer of the Agreement or the Ancillary Agreements to which they are signatories or the consummation by WMI, Woodward or Kifer of the transactions contemplated thereby that has not been obtained.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the Federal laws of the United States and the laws of the State of Texas. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by WMI, Woodward and Kifer and appropriate officers and directors of WMI and by public officials.

Matters to be Covered by Opinion of the Atmos Entities' Counsel

(i) Atmos is a corporation validly existing and in good standing under the laws of the State of Texas and the Commonwealth of Virginia, and Energy is a limited liability company validly existing and in good standing under the laws of the State of Delaware.

(ii) Each of the Atmos Entities has all requisite corporate or limited liability company power and authority to execute and deliver the Agreement and the Ancillary Agreements to which they are signatories and to perform their respective obligations thereunder and to consummate the transactions contemplated thereby.

(iii) The execution and delivery of the Agreement and the Ancillary Agreements to which they are signatories have been duly and validly authorized by the board of directors of Atmos and by the managers of Energy, and no other proceedings on the part of the Atmos Entities are necessary to authorize the Agreement or the Ancillary Agreements to which they are signatories or to consummate the transactions contemplated therein.

(iv) The Shares which are to be issued to Woodward and Kifer pursuant to the terms of the Agreement will, upon the issuance thereof in accordance with the terms of the Agreement, be duly authorized, validly issued, fully paid and nonassessable.

(v) The Agreement has been, and the Ancillary Agreements to which they are signatories will be, duly and validly executed and delivered by the Atmos Entities and, assuming that the Agreement constitutes, and the Ancillary Agreements will constitute when signed, the legal, valid and binding obligations of the other parties thereto, each such agreement constitutes or will constitute the legal, valid and binding obligation of the Atmos Entities, as the case may be, enforceable in accordance with its terms subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or similar laws (including court decisions) and doctrines affecting the rights of creditors generally and general equitable principles.

(vi) The issuance by Atmos of the Shares, the execution, delivery and performance of the Agreement and the Ancillary Agreements to which they are signatories by the Atmos Entities, and the consummation by the Atmos Entities of the transactions contemplated thereby do not and will not conflict with or constitute a breach or violation of, or a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Atmos Entities pursuant to, nor will such action result in any breach or violation of, or default under, the provisions of the Articles of Incorporation or Bylaws of Atmos or the organizational documents of Energy.

(vii) No authorization, approval or consent of, or registration or filing with, any Governmental Body is required for the issuance of the Shares by Atmos, the execution, delivery or performance by the Atmos Entities of the Agreement or the Ancillary Agreements to which the Atmos Entities are signatories or the consummation by the Atmos Entities of the transactions contemplated thereby that has not been obtained.

No opinion need be included as to any matter which involves the laws of any jurisdiction other than the Federal laws of the United States, the laws of the State of Texas and the Commonwealth of Virginia or the corporate or limited liability law of the State of Delaware. Such opinion may contain customary assumptions and qualifications, and may expressly rely as to matters of fact upon certificates furnished by the appropriate officers and directors of the Atmos Entities and by public officials.